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Report Highlights:

South Africa's corn crop planted in 2005 is currently estimated at 6.3 million tons, 46% lower than the 2004 crop. The voluntary cutback in production did lower stocks and supported prices. Farmers are expected to increase the area planted again this year, an intentions survey showed that the total area to be planted could exceed 3 million ha. again giving a potential 10 million ton crop.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Pretoria [SF1]
[SF]

Summary

In an effort to balance corn supply and demand South African commercial farmers cut the area planted to corn from 2.8 million hectares (ha.) in 2004 to 1.6 million ha. in 2005. As a result the commercial crop declined from 11.45 million tons to 6.3 million tons.

Farmers are currently considering how much to plant in the next two months. Grain SA again recommend caution, the "suggestion" was that farmers increase the area planted to about 2.3 million ha, 1.4 for white and 900,000 for yellow which should produce a crop of about 8.3 million tons. A planting intentions survey indicated that farmers intend to plant about 2.6 million ha. giving a potential 10 million ton crop. Weather conditions will, however, play a major role in determining the area to be planted.

Bio Fuels, including Ethanol from corn is a big issue but it is unlikely that additional areas will be planted for this purpose in 2006. It could, however, become a major additional outlet in the future.

The wheat situation is unchanged, with a small decrease in the 2006 area planted but a 2.2 million ton crop expected. High import levels are expected to continue.

Please note the volatile exchange rate.

US\$1 = Rand 6.55 (05/30/06)
US\$1 = Rand 7.25 (06/28/06)
US\$1 = Rand 7.00 (07/27/06)
US\$1 = Rand 7.15 (08/28/06)
US\$1 = Rand 7.65 (09/29/06)

www.sagis.org.za
www.grainsa.co.za
www.safex.co.za
www.fews.net
www.wfp.org

CORN

PSD Table

Country South Africa

Commodity Corn

1000 HA, 1000 MT	2004 Revised			2005 Estimate			2006 Forecast		
	USDA	Post	Post	USDA	Post	Post	USDA	Post	Post
	Official	Estimate	Estimate	Official	Estimate	Estimate	Official	Estimate	Estimate
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Area Harvested	3223	3224	3224	2100	2000	2032	2750	3000	3050
Beginning Stocks	2956	2935	2935	3190	3170	3170	1490	750	720
Production	11716	11715	11715	7000	6360	6597	9000	9750	10100
MY Imports	361	360	360	750	750	850	400	300	400
TY Imports	131	140	131	650	470	650	700	700	700
TY Imp. from U.S.	0	4	0	0	0	0	0	0	0
Total Supply	15033	15010	15010	10940	10280	10617	10890	10800	11220
MY Exports	2143	2140	2140	750	750	750	600	950	900
TY Exports	1517	2600	1517	1200	1200	1200	500	500	500
Feed Consumption	5000	5000	5000	4100	4100	4447	4100	4100	4600
FSI Consumption	4700	4700	4700	4600	4680	4700	4700	4700	4700
Total Consumption	9700	9700	9700	8700	8780	9147	8800	8800	9300
Ending Stocks	3190	3170	3170	1490	750	720	1490	1050	1020

Production

The final official production estimate for the commercial corn crop planted in 2005 was released on September 20, 2006. In the announcement the area planted to corn in 2005 was increased by 3.1% to 1.6 million ha. The area planted to white corn was increased based on deliveries and estimates of farm retentions. The area planted in Northern Cape, North West and Gauteng was increased. In the case of yellow corn the yields were slightly increased in Mpumalanga and Northwest. The crop is now estimated at 6.28 million tons, 4.8% more than the previous estimate but 45% less than the 2004 crop. The commercial area planted, at 1.6 million hectares, was 43% smaller than the previous season, and with the crop at 6.3 million tons the average yield is 3.9 tons/hectare. The ratio of white to yellow corn plantings is 65/35 compared to the previous season's 60/40.

The following table contains the production details.

CORN	2004 area 000ha	Yield MT/ha	Prod. '000 MT	2005 area 000ha	Yield MT/ha	Prod. '000 MT	2006 Area 000ha	Yield MT/ha	Prod. '000 MT
Com.	Final			Est.			Fore.		
White	1,700	3.8	6,540	1,033	3.8	3,893	1,717	3.6	6,180
Yellow	1,110	4.4	4,910	567	4.2	2,387	918	4.0	3,670
Total	2,810	4.1	11450	1,600	3.9	6,280	2,635	3.7	9,850
Small scale									
White	325	0.6	203	346	0.7	238	325	0.6	190
Yellow	89	0.7	63	86	0.9	79	90	0.7	60
Total	414	0.6	266	432	0.7	317	415	0.6	250
Total									
White	2,025	3.3	6,743	1,379	3.0	4,131	2,042	3.2	6,370
Yellow	1,199	4.1	4,973	653	3.8	2,466	1,008	3.8	3,730
TOTAL	3,224	3.6	11716	2,032	3.2	6,597	3,050	3.4	10100

The total 2005 crop is now estimated at 6.6 million metric tons from 2 million hectares compared to the 11.7 million ton from 3.2 million hectares in 2004. In addition to the cutback in area planted the average yield also decreased as result of inclement weather. In a related development the grading of the crop suffered, for deliveries up to mid September only 71% reached first grade. This is crucial for white corn as lower grades are not suitable for milling for human consumption and are used for feed. As a result the SAFEX exchange has decided to re-introduce the WOPT (white, optional) contract last traded in 2003. This is basically a lower grade contract.

FAS 2006

We also forecast the 2006 season – this is the crop to be planted from November 2006. The result of a planting intentions survey was also announced by the Department of Agriculture. The expected area to be planted on commercial farms is 2.6 million hectares of which 1.7 million ha. will be planted to white corn and 918,500 ha. to yellow. The survey shows the producers intend to plant 683,500 ha. (66.2%) more white corn and 351,300 ha. (61.9%) more yellow corn than in the previous season.

Previously, in a related development Grain SA came up with their planting and production 'suggestions' similar to the advice that led to the 2005 cutback in production. The area planted and production will, however, be influenced by weather conditions but at this stage we can only assume 'normal' weather.

The following table contains the recommendation and the planting intentions, with a possible production scenario.

Commercial '000 MT	2004	2005	Suggested 2006	Intentions 2006
White corn:	Final	Estimate		Forecast
Area '000 ha.	1,700	1,033	1,425	1,717
Yield MT/ha.	3.8	3.8	3.6	3.6
Production	6,540	3,893	5,130	6,180
Yellow corn:				
Area	1,110	567	920	918
Yield	4.4	4.2	4.0	4.0
Production	4,910	2,387	3,680	3,670
Total				
Area	2,810	1,600	2,345	2635
Yield	4.1	3.9	3.8	3.7
Production	11,450	6,280	8,810	9,850

The increased intentions to plant is a surprise as it can potentially produce a 10 million ton plus crop causing an oversupply and a drop in price again. This is for a 'normal' season and do not include additional plantings for bio fuel production, which is not expected to be on stream by 2007. Building of the first major ethanol plant has started.

Consumption

The final 2005/06 supply and distribution data is available and a rounded commercial PS&D, based on SAGIS information, is supplied as background to the analysis. We can also supply a MY 2006/07 scenario based on the latest official crop estimate.

The estimated PS&D's follow:

'000MT	FAS 2004	MY2005/06	Final	FAS 2005	MY2006/07	Estimate
1,000 MT	White	Yellow	Total	White	Yellow	Total
B/stocks	2400	745	3145	2300	870	3170
Production	6540	4910	11450	3893	2387	6280
Retentions	430	965	1395*	43	437	480
Deliveries	6110	3945	10055	3850	1950	5800
Imports	0	360	360	0	850	850
Supply	8510	5050	13560	6150	3670	9820
Exports	1785	355	2140	700	50	750
Consumption	4425	3825	8250	4975**	3375	8350
E/stocks	2300	870	3170	475	245	720

* Questionable crop estimate

**Including an additional 500,000 tons of under grade white corn used for feed.

At this stage white corn has not yet been used for feed, from May to August 2005, 354,000 tons of white corn was used for feed but to date only 72,000 tons found its way to the feed mills. This is an indication of the scarcity of white corn with the market holding on to even under grade supplies, as imports will be very difficult to source. Eventually the lower grade white corn should find its way to the feed mills

as the October price for under grade white corn at R1, 170/mt. is lower than the yellow corn price at R1, 260/ton.

Deliveries from May 1, 2006 to September 22 amounted to about 5.75 million tons, 3.8 white and 1.9 yellow, implying that the delivery figure can still increase. The following table contains the details:

Deliveries	'000 MT	%
May 1-Sept. 22		
WM1	2,224	63.4%
WM2	999	28.5%
WM3+WM0	286	8.1%
Unknown	313	
Total white	3,822	
YM1	1,476	87.9%
YM2	194	11.5%
YM3+YM0	10	0.6%
Unknown	249	
Total Yellow	1,929	
Total corn		
Grade 1	3,700	71.3%
Grade 2	1,193	23.0
Grade 3	296	5.7%
Total	5,189	
Unknown	562	
Total corn	5,751	

The higher current price levels are suppressing domestic and regional demand. Yellow corn supplies are tight but the shortfall is being met by imports from Argentina. In MY 2005/06, 360,000 tons were imported and unloaded in the ports of Cape Town, Port Elizabeth, East London and Durban. From May 2006 to September 15 about 462,550 tons have already been imported, while total exports only reached 227,770 tons, less than half the quantity imported.

Trade

Whole grain exports jumped from 732,000 MT. in MY 2004/05 to 2.14 million tons in 2005/06 mainly due to early overseas sales of yellow corn to Indonesia, Iran and Japan. The main increase for white corn was the more than a million tons sold to Zimbabwe after only 206,000 tons were sold in 2004/05. Product exports amounted to 100,000 tons in 2004/05 and 103,000 tons in 2005/06.

Southern African Customs Union sales are the prime export market for the South African industry averaging about 400,000 tons, 340,000 tons white and 60,000 tons yellow per season. This market will have to be serviced in 2006/07. Mozambique (100,000 MT.) and Zimbabwe are the other potential markets. Exports to Zimbabwe averaged 85,000 tons per month in MY 2005/06 to exceed 1 million tons in the twelve months. Monthly sales to date average about 20,000 tons as the country experiences severe foreign exchange constraints. The Government of Zimbabwe

has appealed for foreign assistance to meet the shortfall, and has announced that it has secured a loan to purchase both corn and wheat.

As the region experienced a fairly good 2005/06 production season supplies are adequate and exports slow. Current South African price levels are also limiting demand. Exports will, however, pick up when local supplies run out. Trade data from May 2006 to September 22, 2006 follow.

EXPORTS	09/02-09/08	09/09-09/15	09/16-09/22	Progressive Total since May 1, 2006
White corn				
Angola				3,742
Botswana	1916	2180	1340	31,179
DRC				280
Kenya				2,792
Lesotho		748	4048	40,603
Malawi				30
Mozambique	1980	825	579	15,729
Namibia	18	4	28	4,088
Swaziland				5,496
Tanzania				9,289
Zambia				35
Zimbabwe	241	63		88,598
Total	4155	3820	5995	201,861
Yellow corn				
Botswana	28		28	3,771
Lesotho				2,100
Mozambique				880
Namibia	252	27	645	8,548
Swaziland	600	688	792	17,807
Zimbabwe				264
Total	880	715	1465	
				33,370
Total corn	5035	4535	7460	235,231
Imports				
Argentina	9277	11881	25174	487,725

Prices

The main reason for the production cutback this year was the low SAFEX prices after harvest in 2005. In June 2005 both white and yellow corn prices for August, October and December were well below \$100/ton, or R600/ton at the then exchange rate. This was due to the usual post harvest price slump and the crop estimate at that stage implying a big surplus. Farmers claimed that the \$100/ton was below their cost of production and decided to cut back the area planted in 2005. This had a major effect on SAFEX prices. SAFEX is a volatile market with the March 06 white corn price nearly doubling from June to December 2005 and the yellow corn price increasing by 50%. In July 2006 white corn reached a thirty-month high.

The following table shows current SAFEX futures prices.

Rand/MT	US\$/MT			
White corn	September 06	December 06	March 07	July 06
05/30/06	R1225=\$187.0	R1262=\$192.7		R1207=\$184.3
06/28/06	R1361=\$187.7	R1396=\$192.6	R1406=\$193.9	August 06
07/27/06	R1341=\$191.6	R1377=\$196.7	R1385=\$197.9	R1325=\$189.3
08/28/06	R1248=\$174.5	R1290=\$180.4	R1291=\$180.6	October 06
09/26/06		R1301=\$170.0	R1310=\$171.2	R1270=\$166.0
WOPT	September 06	December 06	March 07	August 06
07/27/06	R1213=\$173.3	R1255=\$179.3		R1194=\$170.6
08/28/06	R1140=\$159.4	R1180=\$165.0	R1225=\$171.3	October 06
09/26/06		R1200=\$156.9	R1245=\$162.7	R1170=\$152.9
Yellow corn	September 06	December 06	March 07	July 06
05/30/06	R1151=\$175.7	R1177=\$179.7		R1129=\$172.4
06/28/06	R1240=\$171.0	R1248=\$172.1	R1265=\$174.5	August 06
07/27/06	R1226=\$175.1	R1238=\$176.9	R1255=\$179.3	R1207=\$172.4
08/28/06	R1192=\$166.7	R1204=\$168.4	R1213=\$169.7	October 06
09/26/06		R1275=\$166.7	R1282=\$167.6	R1260=\$164.7

WHEAT

Country	South Africa								
Commodity	Wheat								
1000HA.	2004 Revised			2005 Estimate			2006 Forecast		
	Post			Post			Post		
	USDA	Post	Estimate	USDA	Post	Estimate	USDA	Post	Estimate
1000MT.	Official	Estimate	New	Official	Estimate	New	Official	Estimate	New
Market Year Begin	10/2004			10/2005			10/2006		
Area Harvested	830	830	830	800	805	800	770	792	771
Beginning Stocks	598	598	598	560	594	595	646	600	670
Production	1680	1680	1680	1886	1905	1905	2050	1850	2190
MY Imports	1396	1395	1395	1300	1200	1200	1100	1200	1000
TY Imports	1407	1350	1407	1242	850	1242	1100	1100	1100
TY Imp. from U.S.	264	265	264	0	250	0	0	0	0
Total Supply	3674	3673	3673	3746	3699	3700	3796	3650	3860
MY Exports	324	325	325	300	325	255	350	325	350
TY Exports	338	350	338	296	325	296	350	320	350
Feed Consumption	10	9	5	10	39	10	10	15	10
FSI Consumption	2780	2745	2748	2790	2735	2765	2840	2785	2785
Total Consumption	2790	2754	2753	2800	2774	2775	2850	2800	2795
Ending Stocks	560	594	595	646	600	670	596	525	715

Production

The official production estimate of the 2006 wheat crop is 2.19 million tons, 6.1% more than the initial estimate. The area estimate remained unchanged at 770,800 ha. and the expected yield is 2.84 mt/ha. The main producing areas are the Free State with 360,000 ha. followed by the Western Cape with 285,000 ha. The main change in the estimate was for the Free State where the crop jumped from 720,000 tons to 846,000 tons. The crop, at 2.2 million tons, is again well short of domestic demand. The 2005 crop estimate was 1.9 million tons of which deliveries have reached 1.89 million tons.

The following table contains the production details by province:

HA. MT.	Area 2005	Production	Area 2006	Production est.
Western Cape	302,000	645,000	285,000	669,750
Northern Cape	48,500	306,000	48,000	288,000
Free State	380,000	580,000	360,000	846,000
Eastern Cape	4,000	14,500	2,500	8,750
Kwazulu-Natal	9,000	41,500	6,800	30,600
Mpumalanga	18,000	92,000	15,000	78,750
Limpopo	11,000	50,000	22,000	99,000
Gauteng	2,500	14,000	2,000	10,800
North West	30,000	162,000	29,500	159,300
TOTAL	805,000	1,905,000	770,800	2,190,950

Consumption

Milling for flour increased by 3.1% from 2.65 million tons in 2003/04 to 2.74 million tons in 2004/05. From October 2005 to August 2006 milling amounted to 2.5 million tons, 1.5% more than in the corresponding months in 2004/05. Growth is slow and barely keeps pace with the increase in population.

Trade

In MY 2004/05 South Africa exported 158,000 tons of South African wheat (135,000 tons) and flour (23,000 tons wheat equivalent) and 168,000 tons of imported wheat for a total of 326,000 tons. In 2004/05 imports for own use amounted to 1.227 million tons and 168,000 tons for re-export to total 1.395 million tons. Imports and exports for the current season from October 2005 to September 22, 2006 follow:

Exports to:	MT	Imports from:	For Africa	For South Africa	Total
Botswana	78,037	USA	25,982	88,651	114,633
Lesotho	71,071	Australia	0	59,927	59,927
Namibia	17,538	Argentina	32,265	380,902	413,167
Swaziland	32,418	Germany	77,076	353,986	431,062
Zambia	53,118	Ukraine	0	85,979	85,979
Zimbabwe	2,484	Brazil	6,301	0	6,301
		Canada	12,759	56,710	69,469
		France	0	9,920	9,920
Total	254,666	Total	154,383	1,036,075	1,190,458

Prices

Current SAFEX futures market prices are:

Rand/MT \$/MT	March 07	May 07	September 06	December 06
09/27/2006	R1780=\$232.7	R1740=\$227.5		R1770=\$231.4
08/28/2006	R1677=\$234.5	R1620=\$226.6	R1799=\$251.6	R1641=\$229.5
07/27/2006	R1586=\$226.6		R1665=\$237.9	R1538=\$219.7
06/28/2006	R1520=\$209.7		R1630=\$224.8	R1551=\$213.9